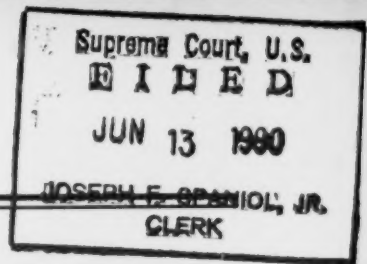


(3)
No. 89-1724



IN THE
Supreme Court of the United States

OCTOBER TERM, 1989

CELEBRITY WORLD, INC. and JOHN LEDES,

Petitioners,

v.

CELEBRITY SERVICE INTERNATIONAL, INC.,

Respondent.

ON PETITION FOR WRIT OF CERTIORARI TO
THE UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

REPLY BRIEF FOR PETITIONERS

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TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| Table of Authorities..... | ii |
| Reasons for Granting the Writ..... | 2 |
| I. RESPONDENT'S ALTERNATE CON- TENTIONS THAT PUNITIVE AWARDS MAY BE ASSESSED PURSUANT TO 15 U.S.C. § 1117(a) OR THE TREBLED AWARD WAS ASSESSED UNDER NEW YORK LAW DEFY, RESPECTIVELY, THE LAN- GUAGE OF THE STATUTE AND THE LANGUAGE OF THE JUDGEMENT..... | 2 |
| II. RESPONDENT'S "INSIGHT" AND PETITIONERS' SO-CALLED "OVERSIGHT" OF GETTY PETRO- LEUM CORP. v. <u>ISLAND TRANS-</u> <u>PORTATION CORP.</u> RAISE A GENUINE ISSUE OF WHETHER THE "CONCURRENT" AWARD OF \$100,000 PUNITIVE DAMAGES SHOULD STAND..... | 9 |
| Conclusion..... | 12 |
| Appendix RA-1....Certificate of Registration of CELEBRITY SERVICE | |

Appendix RA-2....Certificate of
Registration of
CELEBRITY BULLE-
TIN

Appendix RA-3....Notice of
Opposition to
Registration of
CELEBRITY
REGISTER

Appendix RA-4....Pertinent Sec-
tions of Report
and Recommenda-
tion of Magis-
trate

TABLE OF AUTHORITIES

Cases

| | <u>Page</u> |
|---|-------------|
| <u>Borkowski v. Borkowski</u> , 48 A.D. 2d 846,369 N.Y.S. 2d 174,175 (2d Dept. 1975), aff'd, 39 N.Y. 2d 982, 387 N.Y.S. 2d 233 (1976).... | 11,12 |
| <u>Getty Petroleum Corp. v.</u> <u>Island Transportation Corp.</u> 878 F. 2d 650,657 (2d. Cir. 1989)..... | 11 |
| <u>G.H. Mumm Champagne v. Eastern</u> <u>Wine Corp.</u> , 142 F. 2d 499 (2d Cir.), cert. denied, 323 U.S. 715, 65 S. Ct. 41 (1944) | 9 |

| | <u>Page</u> |
|--|-------------|
| <u>James v. Powell</u> , 19 N.Y. 2d 249, 260-261, 279 N.Y.S. 2d 10, 19 (1967)..... | 14 |

Statutes

| | |
|-----------------------|--------|
| 15 U.S.C. § 1117..... | passim |
|-----------------------|--------|

Rules

| | |
|--------------------------------|----|
| Supreme Court Rule 14.1.(a)... | 10 |
|--------------------------------|----|

Other Authorities

| | |
|---|---|
| Koelemay, Monetary Relief for Trademark Infringement Under the Lanham Act , 72 Trademark Rep. 458 (1982)..... | 3 |
|---|---|

In The
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REASONS FOR GRANTING THE WRIT

I. RESPONDENT'S ALTERNATE CONTENTIONS THAT PUNITIVE AWARDS MAY BE ASSESSED PURSUANT TO 15 U.S.C. § 1117(a) OR THE TREBLED AWARD WAS ASSESSED UNDER NEW YORK LAW DEFY, RESPECTIVELY, THE LANGUAGE OF THE STATUTE AND THE LANGUAGE OF THE JUDGMENT.

Celebrity Service claims that the award, assessed and trebled, pursuant to 15 U.S.C. § 1117(a) is compensatory because it is clothed, per se, in the imprimatur of "compensation."¹ It argues that any punitive award the district court makes pursuant to

¹ Respondent has a puffed pedigree. It claims it federally registered CELEBRITY SERVICE, CELEBRITY BULLETIN and CELEBRITY REGISTER, respectively, in 1938, 1939 and 1959 (See Respondent's Brief at p.3); but reference to Petitioners' Reply Appendices RA-1, RA-2 and RA-3 shows that CELEBRITY SERVICE registered on November 30, 1984, that CELEBRITY BULLETIN registered on December 17, 1985 and (Continued)

15 U.S.C. § 1117(a) is de gratia "compensation," and no reviewing court should, de jure, search the record for a punitive assessment, unless blinded by the glow of petitioner's halo. Such unequal application of the statute is neither constitutional, nor consistent with its history.²

Koelemay, supra, at 487 summarizes the history of the statute as follows:

In summary, the legislative history of Section 35 [15 U.S.C. § 1117(a)] does not demonstrate an intention to alter the basic rules of recovery that existed under the 1905 Act. The principal changes effected by the Lanham Act in the rules of recovery

that CELEBRITY REGISTER was unregistered during the proceedings below.

² See Koelemay, **Monetary Relief for Trademark Infringement Under the Lanham Act**, 72 Trademark Rep. 458 (1982).

were: first, to require that awards of increased damages be compensatory, not punitive; and, second, to allow the courts discretion to increase or decrease awards based on the infringer's profits.

Celebrity Service claims, also, that 15 U.S.C. § 1117(a) entitles it to Celebrity World's profits despite its failure to show actual damages approximately related to Celebrity World's activities; and that case law treats Celebrity World gross revenues as "profit" under the statute, although Celebrity World had losses and a negative net worth.

The claim has no substantive merit, and it is frivolous because Celebrity Service specifically disclaimed, below, an award of defendants' profits. The magistrate's Report and Recommendation states that:

Your Honor has concluded, in accordance with section 35 of the Lanham Act, 15 U.S.C. § 1117, that the plaintiff is entitled to an award of defendant's profits. ...However, the plaintiff has stated that "this recovery...[of defendants' profits]...overlaps with the amount awarded for trademark infringement and unfair competition. Therefore, the Court does not issue a separate award of profits."...I agree with plaintiff's disclaimer and, having awarded \$248,543.55 as damages for trademark infringement...I recommend no separate award of defendants' profits.³

The district court adopted the magistrate's Report and Recommendation and made "no separate award of defendant's profits."⁴ The "disclaimer" became merged in the

³ Petition, Appendix D at D-21,22, Report and Recommendation published by Magistrate Buchwald.

⁴ Petition, Appendix E at E-3,4, Endorsed Memorandum.

district court judgment,⁵ and no cross appeal was taken. There is no basis to raise that issue for the first time on Celebrity World's and Ledes' petition to this Court.

The claim also has no merit. While the statute shifted the burden to Ledes and Celebrity World to prove "cost or deduction" after Celebrity Service proved Celebrity World's sales, Celebrity World proved its losses and negative net worth.⁶ The magistrate found that:

19. Throughout the period of its operations, Celebrity World had gross revenues of \$53,473 from subscription income, forgiveness of indebtedness

⁵ Petition, Appendix F, Order of Judgment.

⁶ See Reply Appendix RA-4 which reproduces the pertinent section of the magistrates Report and Recommendation.

owed to Cosmetic World, Inc. of \$121,000 and a net loss of \$212,438. (Def. Ex. O).

20. Celebrity World, at the time it ceased operations, had total assets of \$3,479, liabilities of \$84,917 including a liability of \$16,431 for deferred subscription revenue which it was obligated to refund to subscribers because of its cessation of operations and a negative net worth of \$81,438. (Hr. 334-335; Def. Ex. P).

Alternately, Celebrity Service claims that it does not matter that the trebled damages award cannot be sustained under 15 U.S.C. § 1117(a) because the award was assessed under "the New York common Law."⁷ Celebrity Service argues that the district court used the statute to measure the fullest extent of the award, but actually made the award under New York

⁷ Respondent's Brief in Opposition at p.10.

common law.

The judgment, in haec verba, states, in pertinent part, that:

...[P]laintiff is awarded \$248,745 (after trebling, pursuant to 15 U.S.C. § 1117) in damages arising from the intentional trademark infringement and unfair competition of defendants Ledes and Celebrity World;⁸

The judgment is unequivocal that the award was made "pursuant to 15 U.S.C. § 1117." The district court's Endorsed Memorandum⁹ and the magistrate's Report and Recommendation¹⁰, which underlie the judgment establish, should any doubt

⁸ Petition, Appendix F at F-2.

⁹ Petition, Appendix E at E-2,3.

¹⁰ Petition, Appendix D at D-10 to 21. (We apologize for our poor reproduction of the magistrate's footnotes).

exist, that the award was made, exclusively, pursuant to 15 U.S.C. § 1117.

In any event, the "actual damages" standard of 15 U.S.C. § 1117 for monetary assessments is the standard for monetary relief for unfair competition under New York law. See G.H. Mumm Champagne v. Eastern Wine Corp., 142 F. 2d 499 (2d Cir.), cert. denied, 323 U.S. 715, 65 S. Ct. 41 (1944). New York law does not give Celebrity Service any greater right to compensatory damages than federal law.

II. RESPONDENT'S "INSIGHT" AND PETITIONERS' SO-CALLED "OVERSIGHT" OF GETTY PETROLEUM CORP. v. ISLAND TRANSPORTATION CORP. RAISE A GENUINE ISSUE OF WHETHER THE "CONCURRENT" AWARD OF \$100,000 PUNITIVE DAMAGES SHOULD STAND

Respondent's brief asks whether the district court and appeals court

had basis to assess and affirm, respectively, a "concurrent" punitive damages award against Ledes in the sum of \$100,000. The punitive assessment was made "concurrent" with the Lanham Act award by the district court. The judgment of the district court states, in pertinent part, that:

...defendant Ledes is also personally liable for an award to plaintiff of \$100,000 in punitive damages, said amount to be deemed "concurrent" with the compensatory damages award under 15 U.S.C. § 1117;...

The petition did not raise that issue. But the issue flows from the primary issues. See Supreme Court Rule 14.1.(a).

Petitioners found no precedent for "concurrent" civil and punitive awards under federal or New York law. By making the punitive award under New

York law "concurrent" with the "compensatory" award under the Lanham Act, it is manifest that the district court applied the same standard of proof to both findings. Both awards cannot be correct; therefore, both should be vacated and set aside.

As observed in Getty Petroleum Corp. v. Island Transportation Corp., 878 F.2d 650,657 (2d Cir. 1989):

...New York cases have stated that in certain circumstances there must be fraud aimed at the public before punitive damages may be awarded. (cites omitted).

The appeals court opinion, Id. at p.657, cites to Borkowski v. Borkowski, 39 N.Y. 2d 982, 387 N.Y.S. 2d 233 (1976), as support for the principle that in New York "It is not essential...that punitive damages be allowed in a fraud case only where the

acts had been aimed at the public generally." But no award of punitive damage was made in Borkowski, see Borkowski v. Borkowski, 48 A.D. 2d 846, 369 N.Y.S. 2d 174,175 (2d Dept. 1975), or any other reported New York case without a finding that the defendant committed a fraud aimed at the public generally.

The district court did not find that Ledes committed a "fraud aimed at the public generally"; it did find, however, that Ledes "tried to destroy the old 40,50-year-old company in the public eye by defamatory writings,"¹¹ and it awarded Celebrity Service "13,002.25 in damages arising from the intentional acts of defamation by

¹¹See Respondent's Brief, Appendix A at A-5.

defendants Ledes and Celebrity
World..."¹²

No basis for the "concurrent"
punitive award exists under New York
law; or under the Lanham Act.

¹²See Petition, Appendix F at F-2.

CONCLUSION

This petition does not ask that the Court condone any act of misconduct; but it does ask that the Court mandate to courts below that the statute provides for compensatory awards, only, and that it is an abuse of discretion to measure compensation by reference to a "concurrent" punitive standard. If the district court believed, truly, that Ledes perjured himself, it had recourse; but not discretion to strip him of assets by unequal application of the statute.

As the Court of Appeals of New York observed in James v. Powell, 19 N.Y. 2d 249, 260-261, 279 N.Y.S. 2d 10,19 (1967):

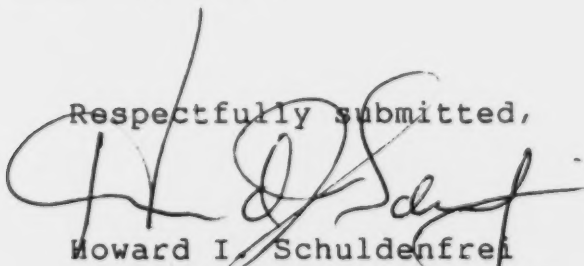
...The record yields the impression that the courts below were impelled to award punitive damages against the defendant

Powell...because of his many citations for contempt of court ...rather than because of his act in conveying this property in Puerto Rico. Our statutes provide sanctions for contumacious conduct... It is not proper for the courts, under the guise of awarding damages on account of a fraudulent transfer, to punish the defendant for other wrongful conduct not connected with such transfer.

The petition presents substantial issues warranting review, properly reviewable by this Court and should be granted.

Dated: New York, New York
June 12, 1990

Respectfully submitted,

A large, stylized handwritten signature in black ink, appearing to read 'H. I. Schuldenfrei', is written over the typed name and address.

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APPENDIX RA-1

Int. Cl.: 42

Prior U.S. Cls.: 100 and 101

United States Patent and Trademark Office

Reg. No. 1,306,476
Registered Nov. 20, 1984

SERVICE MARK
Principal Register

CELEBRITY SERVICE

Celebrity Service, Inc. (New York corporation)
171 W. 57th St.
New York, N.Y. 10019

**For: RESEARCH SERVICES—NAMELY,
PROVIDING INFORMATION ABOUT CELEB-
RITIES TO VARIOUS ORGANIZATIONS, in
CLASS 42 (U.S. Cls. 100 and 101).**

First use 1938; in commerce 1938.

**No claim is made to the exclusive right to use the
word "Service", apart from the mark as shown.
Sec. 2(f).**

Ser. No. 375,655, filed Jul. 20, 1982.

JAMES H. JOHNSON, Examining Attorney



APPENDIX RA-2

Int. Cl.: 16

Prior U.S. Cl.: 38

United States Patent and Trademark Office **Reg. No. 1,375,799**
Registered Dec. 17, 1985

**TRADEMARK
PRINCIPAL REGISTER**

CELEBRITY BULLETIN

BAGLEY-VENETOULIS COMMUNICATIONS
COMPANY (MARYLAND CORPORATION)
171 W. 57TH ST.
NEW YORK, NY 10019, ASSIGNEE OF CELEB-
RITY SERVICE, INC. (NEW YORK CORPO-
RATION) NEW YORK, NY 10019

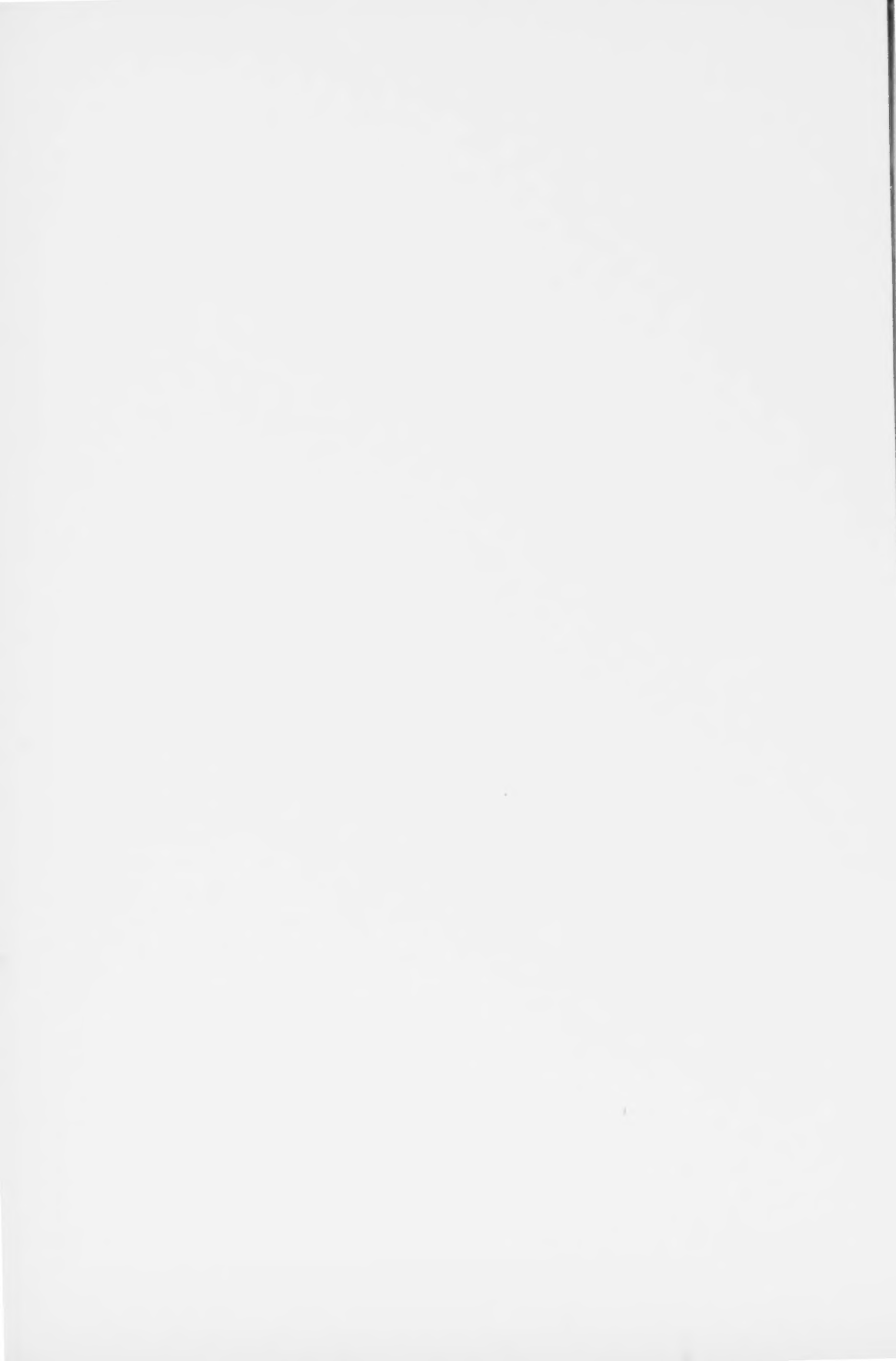
FOR: PUBLICATIONS NAMELY, BRO-
CHURES, NEWSLETTERS AND REPORTS, IN
CLASS 16 (U.S. CL. 38).

FIRST USE 2-19-1939; IN COMMERCE
2-19-1939.

NO CLAIM IS MADE TO THE EXCLUSIVE
RIGHT TO USE "BULLETIN", APART FROM
THE MARK AS SHOWN.
SEC. 2(F).

SER. NO. 511,860, FILED 12-4-1984.

JAMES WALSH, EXAMINING ATTORNEY



APPENDIX RA-3

IN THE UNITED STATES PATENT AND
TRADEMARK OFFICE BEFORE THE
TRADEMARK TRIAL AND APPEAL BOARD

-----X
CELEBRITY WORLD, INC., :
Opposer, :
v. :
BAGLEY-VENTOULIS COMMUNICATIONS :
COMPANY, :
Applicant. :
-----X

NOTICE OF OPPOSITION

Opposition No. 73415

In the matter of an application
for the mark CELEBRITY REGISTER,
Serial No. 511,037, filed November 29,
1984 and published for opposition in
the Official Gazette of October 22,
1985.

CELEBRITY WORLD, INC. a
corporation organized and existing

under the laws of the State of New York, with an office at 48 East 43rd Street, New York, New York 10017 believes it will be damaged by registration of the aforesaid mark and hereby gives notice of its opposition to the same pursuant to Section 13 of the Act of 1946, 15 U.S.C. 1963 on the following grounds:

FIRST CAUSE OF ACTION

1. Opposer is the owner of all right, title and interest in and to the trademark CELEBRITY WORLD NEWS as applied to books, publications and newsletters and is the owner of all good will associated therewith.

★ ★ ★

WHEREFORE, Opposer request that

Application No. 511,037 be refused and
that this Opposition be sustained.

Respectfully submitted,

LAWRENCE E. ABELMAN

APPENDIX RA-4



UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

CELEBRITY SERVICE INTERNATIONAL,
INC.,

Plaintiff,

- against -

CELEBRITY WORLD, INC., JOHN LEDES,
ANGELA WENDKOS and ERICA FURS,
a/k/a ERICA KIRKLAND,

Defendants.

*

*

*

II. Defendants' Profits

19. Throughout the period of its operations, Celebrity World had gross revenues of \$53,473 from subscription income, forgiveness of indebtedness owed to Cosmetic World, Inc. of \$121,000 and a net loss of \$212,438. (Def. Ex. O).

20. Celebrity World, at the time it ceased operations, had total assets

of \$3,479, liabilities of \$84,917 including a liability of \$16,431 for deferred subscription revenue which it was obligated to refund to subscribers because of its cessation of operations and a negative net worth of \$81,438. (Hr. 334-335; Def. Ex. P).

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